Representative Edward J. Markey (D-MA)
Opening Statement
Hearing, "Economics of Dependence on Foreign Oil - Rising Gasoline Prices"
Select Committee on Energy Independence and Climate Change
May 9, 2007, 2:00 PM, 2318 Rayburn House Office Building

In 1973, Americans were shocked by a sudden increase in gasoline prices and supply shortages brought on by Arab OPEC Member States' decision to embargo oil and cut back on production to protest American support for Israel during the Yom Kippur War. The price of gasoline went up from 38.5 cents a gallon in May 1973 to 55.1 cents a gallon in June 1974. Lines for refueling formed as supplies were constrained.

But America responded. We largely moved away from the use of oil for electricity generation – going from 16% oil-fired generation in 1972 to only 2.5% today. We promoted energy efficiency and conservation in our homes and offices. And most effectively, we mandated an increase in fuel economy from 13.5 miles per gallon to 27.5 miles per gallon – a doubling of fuel economy – in 10 years.

And what happened? Our dependence on foreign oil went from 46.5% in 1977, the year the new fuel economy law took effect, to 27% in 1985 when it was fully phased in. We took more than 4 million barrels of oil a day off the roads by making cars use less of it.

We now face a crisis similar to the crisis we faced in the 1970s. Fuel economy standards for cars have not been increased in 20 years, and because of the higher numbers of SUVs on the road that were not part of the original fuel economy law, the fuel economy of our fleet is actually LOWER now than it was in 1987.

Our oil dependence has skyrocketed to more than 60%. And gasoline prices have reached more than $3 a gallon – surpassing the level they reached the week after Hurricane Katrina hit.

It is no coincidence that gasoline prices continue their steady climb upward: 45 percent of the world's oil is located in Iraq, Iran and Saudi Arabia. What happens in those countries has a dramatic impact on oil prices – our foreign policy in this unstable region of the world is driven by our energy needs right here at home. And Americans increasingly believe that the human cost over there and the economic costs over here are simply too high in a war that to many Americans is looking less and less like a struggle to prevent Saddam from getting Weapons of Mass Destruction and more and more like a struggle over oil and the terrorist groups funded out of Persian Gulf oil revenues.

But on top of the national security threat, it is important for Congress to be aware of the impacts on ordinary Americans. Today, we have invited witnesses to testify about the impacts rising gasoline prices have on their businesses and their lives. Each $1 increase in the price of gasoline adds $594 to the average consumer's annual transportation bill. For a family owning one car making $20,000 a year, $3 a gallon gasoline consumes almost 9% of its annual income. For a family making $40,000, $3 gasoline costs them 4.5% of its annual budget.

But the impacts on Americans do not end at the consumer level. Today we will hear from several business owners who can describe just how much higher fuel costs impact them. Farmers must pay for the fuel costs associated with operating farm equipment and for the costs of transporting their produce to purchasers. School districts have been forced to choose between providing school-bus service and the full range of planned curriculum and student activities. And small business owners who rely heavily on transportation have seen dramatic impacts to their bottom lines.

In just the FIRST THREE MONTHS of 2007, Exxon Mobil, Chevron, ConocoPhillips, Shell and BP collectively made $29.44 BILLION DOLLARS in profits. As soon as Democrats retook control of the House of Representatives, we passed legislation by a bipartisan vote of 264-163 to close some tax loopholes for large oil companies and recover royalties for oil and gas obtained from drilling in public waters. The $14 billion dollars obtained from these sources was then directed to a fund for energy efficient technologies and renewable energy. But the oil industry, many Congressional Republicans and the Bush Administration OPPOSED most provisions in this legislation – even as the oil industry made more than twice the amount of money Congress obtained from closing these loopholes in just **3 months.**

Instead, Republicans accuse Democrats of failing to support their so-called "solutions":

- Republican leadership and the Bush Administration say that we need to allow drilling on the Outer Continental Shelf or in the Arctic National Wildlife Refuge. Roughly 80 percent of the oil and gas resources in the Outer Continental Shelf are located in areas where drilling is already allowed! Moreover, of the 8,000 leases oil companies hold in the Gulf of Mexico, they are producing oil on fewer than 25 percent of them. The oil companies should be drilling on the leases that they already have, where the majority of the oil is, not looking to place drill rigs off of each of America's beaches. The reality is that the United States sits on only 3% of the world's known oil reserves. We can't drill our way to lower gasoline prices or energy independence even if we drill on every last piece of environmentally sensitive land in the country.

- Republican leadership says that we need to enable the expansion of refinery capacity and streamline the permitting process. But the reality is that even as the oil industry itself made decisions to shut down refineries, refining capacity itself has been dramatically increased, and the permitting requirements for new refineries has never been shown to be a problem.
- And finally, Republican leadership says that we need to reduce the number of so-called "boutique fuels" required to meet clean air standards. But Republicans themselves added a section to last year's Energy Bill entitled "Reducing the Proliferation of Boutique Fuels" which was supposed to solve this problem.

I believe that the solutions to high gasoline prices and reducing our oil dependence MUST include:

- Increasing the fuel economy of our cars and trucks
- Increasing the amounts of renewable, home-grown biofuels
- And preventing gasoline price gouging during times of tight supply and high demand.

Gasoline prices are at $3 a gallon now, and experts say that $4 a gallon gasoline could be right around the corner. I look forward to gaining the perspective our witnesses can provide on what $3 a gallon means to them today, and what will happen if the experts predicting $4 a gallon are proved right.